LIBRARY
SUPREME COURT, U. S.

Office-Supreme Court, U.S.
FILED
MAR 15 1963
JOHN F. DAVIS, CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1962

No. 75

ARO MANUFACTURING CO., INC., ET AL., *Petitioners*,

v.

CONVERTIBLE TOP REPLACEMENT CO., INC., *Respondent*.

BRIEF FOR RESPONDENT IN OPPOSITION TO THE PETITION FOR WRIT OF CERTIORARI

ELLIOTT I. POLLOCK
Counsel for Respondent
904 Ring Building
Washington, D. C.

PAUL V. POWER
82 Devonshire Street
Boston, Massachusetts
Of Counsel

PRESS OF BYRON S. ADAMS, WASHINGTON, D. C.

INDEX

	Page
There is a clear distinction between unlicensed infringing Ford cars and licensed General Motors cars	1
The Court of Appeals fully heeded and expressly followed this Court's mandate in awarding recovery for unlicensed Ford cars	3
This Court's earlier Aro decision, involving licensed General Motors cars, did not vitiate Aro's separate liability for unlicensed Ford cars	5
The Court of Appeals decision does not involve any issue of public policy or economic significance warranting review by this Court	8
Aro's antitrust arguments are totally unfounded	9
The Court of Appeals ruling on misuse and antitrust was in full accord with the mandate of this Court	11
Conclusion	12

TABLE OF CITATIONS

CASES

Aro Manufacturing Company et al. v. *Convertible Top Replacement Company, Inc.*, 365 U.S. 336	1, 2, 3, 4, 5, 6, 7, 11, 12
Birdsell v. *Shaliol*, 112 U.S. 485 (1884)	2
Cotton Tie v. *Simmons*, 106 U.S. 89	7
Electric Auto-Lite Co. v. *P. & D. Mfg. Co.*, 109 F. 2d 566, 567 (C.A. 2, 1940)	2
Mercoid Corp. v. *Mid-Continent Inv. Co.*, 320 U.S. 661	12
National Brake & Electric Co. v. *Christensen*, 38 F. 2d 721, 723 (C.A. 7, 1930)	2
National Malleable Casting Company v. *American Steel Foundries* (C.C. N.J., 1910) 182 Fed. 626, 641	3
Remington Rand Business Service, Inc. v. *Acme Card System Co.*, 71 F. 2d 628, 630 (C.A. 4, 1934)	2
Ruth v. *Stearns-Roger Mfg. Co.*, 13 F. Supp. 697, 712-13 (D. Colo., 1935)	2

Page

Shickle Harrison et al. v. *St. Louis Car Coupler Company*, 77 Fed. 739, 743 (C.C. 8, 1896) 3
Thomas-Houston Electric Co. v. *Ohio Brass Co.*, 80 Fed. 712, 723 (C.A. 6, 1897) 2
Union Special Machine Co. v. *Maimin*, 161 Fed. 748, 750 (C.C. Pa., 1908), *affirmed* 165 Fed. 440 (C.A. 3) 2
United States v. *Univis Lens Co.*, 316 U.S. 241 7

TEXTS

Deller's Ed. of Walker on Patents, Sec. 379, at pp. 1486-87 2
69 Corpus Juris Secundum § 287 3

STATUTES

35 U.S.C. § 271(a) 2, 3
35 U.S.C. 271(c) 3

IN THE

Supreme Court of the United States

OCTOBER TERM, 1962

No. 833

ARO MANUFACTURING CO., INC., ET AL., *Petitioners*,

v.

CONVERTIBLE TOP REPLACEMENT CO., INC., *Respondent*.

BRIEF FOR RESPONDENT IN OPPOSITION TO THE PETITION FOR WRIT OF CERTIORARI

Aro's Petition (No. 833, Oct. T. 1962) raises, in effect, a single issue, namely: Did the Court of Appeals below properly heed the mandate of this Court in No. 21, Oct. T. 1960, *Aro Manufacturing Company et al.* v. *Convertible Top Replacement Company, Inc.*, 365 U.S. 336?

It is submitted that the Court of Appeals followed this Court's mandate precisely. The Petition should, accordingly, be denied.

There is a Clear Distinction Between Unlicensed Infringing Ford Cars and Licensed General Motors Cars

During the years 1950-1954, General Motors manufactured convertible cars under license of Mackie-Duluk patent No. 2,569,724, the patent in suit. These cars had a fabric top which was replaced after a period of years. Aro sold certain fabric tops for use as replace-

ments on such licensed General Motors cars. This Court held (No. 21, Oct. T. 1960) that, since the original sale of the General Motors cars was under express license, the licensed sale carried with it an implied license to repair; that where there is such an original license, there can be no direct infringement; that absent direct infringement, there can be no contributory infringement; and that the replacement of parts in an originally *licensed* General Motors combination must, therefore, be treated as permissive repair (365 U.S. 336 *et seq.*).

Ford cars involve a markedly different situation. Ford had no license under the patent. Ford manufactured and sold *infringing* cars during the years 1952-1954. Owners of those unlicensed infringing Ford cars were separate and distinct *direct* infringers by reason of their "use" of the infringing structures; see *Birdsell* v. *Shaliol*, 112 U.S. 485 (1884), and 35 U.S.C. § 271(a) [Petition, App. p. 1b]. In the case of Ford cars, therefore, there *was* an original direct infringement, cf. *Aro*, 365 U.S. at 341.

Moreover, when a person such as Aro repaired an *infringing* Ford car, he committed further direct infringement since such repair perpetuated the infringement. See, for example, the six cases[1] cited by the

[1] *Thomson-Houston Electric Co.* v. *Ohio Brass Co.*, 80 Fed. 712, 723 (C.A. 6, 1897); *Union Special Machine Co.* v. *Maimin*, 161 Fed. 748, 750 (C.C. Pa., 1908), *affirmed* 165 Fed. 440 (C.A. 3); *National Brake & Electric Co.* v. *Christensen*, 38 F. 2d 721, 723 (C.A. 7, 1930); *Remington Rand Business Service, Inc.* v. *Acme Card System Co.*, 71 F. 2d 628, 630 (C.A. 4, 1934); *Electric Auto-Lite Co.* v. *P. & D. Mfg. Co.*, 109 F. 2d 566, 567 (C.A. 2, 1940); and *Ruth* v. *Stearns-Roger Mfg. Co.*, 13 F. Supp. 697, 712-13 (D. Colo. 1935); Cf. Deller's Ed. of Walker on Patents, Sec. 379, at pp. 1486-87.

Court of Appeals (Petition, App. p. 9a, f.n. 5); and see also *National Malleable Casting Company* v. *American Steel Foundries* (C.C. N.J., 1910) 182 Fed. 626, 641; *Shickle Harrison et al:* v. *St. Louis Car Coupler Company*, 77 Fed. 739, 743 (C.C. 8, 1896); and 69 Corpus Juris Secundum § 287 ("a person is an infringer where he repairs an infringing article, machine, or device.").

In *Aro*, 365 U.S. at 342, this Court stated:

> "And § 271(a) of the new Patent Code, which defines 'infringement' *left intact the entire body of case law on direct infringement*" (Emphasis added.)

Aro repaired infringing Ford cars in their own trim shop (R. 107-108); and thereby *directly* infringed the patent. Aro's liability for its own *unlicensed* replacements is clear, from the very case law which was so "left intact".

The Court of Appeals Fully Heeded and Expressly Followed This Court's Mandate in Awarding Recovery for Unlicensed Ford Cars

The manufacture, use, and sale of the unlicensed Ford cars here involved were acts of *direct* infringement under 35 U.S.C. § 271(a): Aro's Petition nowhere contends otherwise. The cases which this Court stated to be "left intact" hold that even a repair of such *unlicensed* structures comprises a *direct* infringement. Therefore, since Aro sold parts meeting all the tests of 35 U.S.C. § 271(c), especially adapted "for use in [such] an infringement"[2], the Court of Appeals held Aro to be a contributory infringer.

[2] See 35 U.S.C. § 271(c), Petition App. p. 1b, and cf. *Aro*, 365 U.S. at 341.

In so holding, the Court of Appeals followed this Court's mandate, for this Court itself stated the basis for the decision below; see 365 U.S. at 341:

> "It is admitted that petitioners know that purchasers intend to use the fabric for replacement purposes on automobile convertible tops which are covered by the claims of respondent's combination patent, *and such manufacture and sale with that knowledge might well constitute contributory infringement under § 271(c), * * * if such a replacement by the purchaser himself would in itself constitute a direct infringement under § 271(a)* * *"* (Emphasis added.)

The foregoing statement by this Court is substantially identical to the reasoning of the Court of Appeals (see Petition, App. pp. 9a-10a):

> "* * * not only is the manufacturer of an infringing article an infringer but so also is a user of an infringing structure or device, for the monopoly conveyed by a patent covers the right to make, sell and use. Therefore, *a purchaser of an infringing Ford car is himself an infringer and as an infringer he cannot legally replace any part of his top,* for by the purchase of his car *he obtained no license to use the patented structure, even less to repair it.* And one who supplies the infringing purchaser-user-repairer with a component of the patented top constituting a material part of the invention (certainly the fabric portion of the top cut or shaped in the only way it could possibly function in the combination is a material part of the Mackie-Duluk invention) knowing the same to be especially made or especially adapted for use in an infringement (Aro admittedly designed, made and advertised replacement tops for unlicensed Ford cars) and not, as the District Court originally found and this Court agreed, a staple

> article suitable for a substantial non-infringing use, is a contributory infringer under Title 35 U.S.C. § 271(c) * * *" (Emphasis added.)

A comparison of the preceding quotations, from the opinions of this Court and of the Court of Appeals, demonstrates that the Court of Appeals precisely followed this Court's mandate. Aro is totally in error in suggesting otherwise.

This Court's Earlier Aro Decision, Involving Licensed General Motors Cars, Did Not Vitiate Aro's Separate Liability for Unlicensed Ford Cars

As will appear, this Court's decision in *Aro* recognized the distinction between replacements to licensed General Motors cars, and replacements to *unlicensed* Ford cars. This same distinction, recognized by the Courts below, has long been conceded by Aro itself.

The trial court's first decision in this matter held, 119 U.S.P.Q. 122, 124 [no Fed. citation] (R. 38):

> "I pass to the question of infringement. *This has two aspects.* Some cars [General Motors] manufactured and sold with Mackie-Duluk tops *were licensed.* Others [Ford] were *not.* As to the former, defendants are protected if their fabrics are to be regarded as mere repair and not reconstruction. As to the latter, defendants have no protection against a claim for contributory infringement under Section 271(c) if they made a material part, with knowledge that it was to be used in a patented structure, which was not a staple article of commerce suitable for substantial non-infringing use". (Emphasis and matter in brackets added.)

Aro conceded liability for unlicensed Ford cars and, in going to the Court of Appeals the first time, argued

the licensed G.M. situation only. Thus as stated by the Court of Appeals (Petition, App. pp. 4a-5a):

> "Our attention at that time was directed primarily to * * * *licensed* General Motors cars * * *. We did not specifically consider infringement with respect to *unlicensed* Ford Motor Co. cars *for that question was not greatly stressed* and we were convinced from the evidence that the Court below was clearly correct in its conclusion that defendant's custom made tops * * * [met the factual tests of] 35 U.S.C. § 271(c)." (Emphasis and matter in brackets added.)

In coming to this Court, Aro again acknowledged the distinction between licensed and unlicensed cars. Aro's question 3 (Petition No. 582 Oct. T. 1959, p. 3) was confined to licensed G.M. cars, and excluded *unlicensed* Ford cars:

> "3. Whether the owner of a convertible automobile purchased from a manufacturer *licensed* under the patent for a combination infringes the patent by replacing a single worn element, the top fabric, with one made by a replacement top fabric manufacturer who does not pay royalties to the patentee." (Emphasis added.)

It is not surprising, therefore, that every opinion of this Court at 365 U.S. 336 *et seq.*, speaks of licensed (i.e., General Motors) structures; for this was the only subject matter on which Aro (and the Justice Department, as *amicus*)[3] sought review.

---

[3] Aro's question 3, limited to *licensed* cars, was the only question urged to be important by the Justice Department, then appearing as *amicus*. See Brief for the United States as Amicus Curiae, No. 21, Oct. T. 1960, p. 3, f.n. 1:

> "This is a restatement of the third question presented by the petition for certiorari (at p. 3). We express no views on the other questions presented by the petition."

Thus, this Court's majority opinion (f.n. 9, 365 U.S. at 343), notes that a "*licensee* of a patented machine or combination" may replace an element under certain circumstances; and distinguishes *Cotton Tie* v. *Simmons*, 106 U.S. 89, saying that the articles there replaced were "*licensed* to use once only". The majority further states (p. 344) that a contrary view would require "a *new license*" and "another" royalty; and summarizes prior controlling decisions by stating (p. 345) that "*a license to use a patented combination* includes the right 'to preserve its fitness for use' * * *". (Emphasis added.)

Mr. Justice Brennan's opinion expressly distinguishes between unlicensed Ford and licensed G.M. cars (365 U.S. at 368):

> "I therefore think that the judgment of the Court of Appeals must be reversed, *except, however*, as to the relief granted respondent in respect of the *replacements made on Ford cars* before July 21, 1955." (Emphasis added.)

Mr. Justice Black's opinion (p. 356) also cites the license provisions in *Cotton Tie, supra;* emphasizes (p. 360) that "one royalty to one patentee for one sale is enough under our patent law as written"; and cites with approval (p. 359, f.n. 12) this Court's holding in *United States* v. *Univis Lens Co.*, 316 U.S. 241. In *Univis* (316 U.S. at p. 249), this Court stated:

> "We may assume also, as appellees contend, that sale of the blanks by an *unlicensed* manufacturer to an *unlicensed* finisher for their completion would constitute contributory infringement by the seller." (Emphasis added.)

Mr. Justice Harlan's dissent (p. 369 *et seq.*) would have affirmed the Court of Appeals' earlier decision,

thereby giving CTR the right to recover, *inter alia*, for unlicensed Ford cars.

It is submitted, therefore, that the Court of Appeals correctly construed this Court's earlier decision, and precisely followed this Court's mandate, in distinguishing *unlicensed* Ford replacements from licensed General Motors replacements.

The Court of Appeals Decision Does Not Involve Any Issue of Public Policy or Economic Significance Warranting Review By This Court

When this Court earlier heard the instant case (No. 21, Oct. T. 1960), the Justice Department, appearing as *amicus curiae*, urged reversal as to originally licensed G. M. cars, since Justice felt it to be in the economic interest of the general public to limit a patentee to his original royalty. At that time, neither Aro nor Justice felt that Aro's replacements on *unlicensed* Ford cars warranted review, or that such *unlicensed* replacement involved any question of general interest. The Department of Justice's position was strictly confined to replacements made "pursuant to a license from the patentee", and sought no reversal as to Ford tops, i.e., tops "which had *not* been manufactured or installed under license" (see Justice's letter of May 3, 1960, on the facing page; and see footnote 3, *supra*.)

Even now, the Justice Department does not urge error in the latest Court of Appeals decision, nor does Justice now suggest any general public interest or economic significance in Aro's liability for replacements on infringing Ford cars.[4] It is submitted that

[4] Upon information and belief, Aro, subsequent to the Court of Appeals latest decision involving unlicensed Ford cars, approached Justice and unsuccessfully sought its assistance in this new Petition. Moreover, Aro's Petition has been served on the Solicitor General.

UNITED STATES DEPARTMENT OF JUSTICE

WASHINGTON, D. C.

May 3, 1960

Address Reply to the Division Indicated and Refer to Initials and Number

RAB:CHW
60-358-0

Elliott I. Pollock, Esquire
1200 18th Street N.W.
Washington 6, D.C.

Re: Aro Manufacturing Co. v. Convertible Top Replacement Co.

Dear Mr. Pollock:

I understand from your letter to Mr. Weston of April 22, 1960, as further amplified in a conference on that date attended by you, Mr. Hollabaugh, and Messrs. Weston and Stern of the Appellate Section, that the memorandum which the Government filed in support of grant of certiorari in the above case has been given an interpretation in some quarters believed by you to be erroneous. You have therefore requested a letter clarifying the position taken by the Government in this memorandum.

The Government's position, as stated at page 4 of the memorandum, was that "the holder of a patented machine or combination exhausts his patent rights when he or his licensee sells the machine covered by his patent, and that the purchaser or the purchaser's supplier does not infringe the patent upon replacement of an unpatented element which becomes unusable in ordinary course in advance of the other components of the combination. * * *." (Underscoring supplied.) The views which we expressed had reference to replacement of the fabric portion of convertible tops which had been installed pursuant to a license from the patentee. We took no position respecting infringement if there was replacement of the fabric portion of convertible tops which had not been manufactured or installed under license from the patentee.

Sincerely yours,

ROBERT A. BICKS
Acting Assistant Attorney General
Antitrust Division

† Underlining in red added.

this consistent refusal by the Department of Justice to support Aro on the issue of *unlicensed* Ford replacements demonstrates that, as to these, Aro's arguments are of private interest only, rather than of general or public significance.

Aro's Antitrust Arguments Are Totally Unfounded

Aro further urges that the instant case should have been remanded to the trial court for an award of antitrust treble damages. The Court of Appeals forcibly rejected this contention, holding (Petition, App. p. 12a):

"There is no merit whatever in this appeal".

Aro has never pleaded any antitrust statute alleged to have been violated, nor any acts comprising an antitrust violation; nor, indeed, has Aro ever pleaded any damages resulting from an alleged antitrust violation, or that it was entitled to a treble damage recovery under the antitrust laws. Aro admits all this; see Petition, p. 24, i.e., "petitioners have not demanded such relief in their pleadings".

Nevertheless, Aro suggests that its "counterclaim" permitted a treble damage award (see, for example, Petition, question 7, and Petition, pages 8 and 12). However, this counterclaim (R. 11) merely sought a declaratory judgment of patent invalidity and noninfringement; made no mention of antitrust violation; alleged no damages; and did not pray for any monetary recovery.[5] This is not even a case, therefore, where a

[5] Defendant's counterclaim (R. 11) states "this counterclaim constitutes a petition for declaratory judgment or decree under judicial code section 274 D 28 U.S. Code 2201 and 2202 • • •", and continues "Jurisdiction is invoked under judicial code section 274 D 28 U.S. Code 2201 and 2202 on a controversial issue arising under the patent laws."

supposed antitrust violation was "insufficiently" or "defectively" pleaded; it is a case in which it was *not pleaded at all.*

Aro persists, however, by urging that there should still be a treble damage award, since, under F.R.C.P. 54(c), Aro should be granted the relief to which it "is entitled". The complete answer to this contention, however, is that Aro is not "entitled" to any such relief. The trial court, after considering Aro's contentions, *rejected* them, stating (R. 33):

> "Finally, they [Aro] claim misuse of the patent, a defense I find *clearly not made out*". (Emphasis added.)

Aro conceded the correctness of this ruling, and dropped the matter, i.e., as the Court of Appeals found, "Patent misuse as a defense was clearly abandoned" (Petition, App. p. 11a).

The rule of law for which Aro contends, is accordingly this: Even though there has never been any pleading or proof of antitrust violation; even though the definitive ruling below rejected such contentions; and even though this ruling was accepted and the contentions thereafter abandoned, nevertheless says Aro, the Court below, on remand, should award antitrust damages when this Court reverses on an entirely different question.

It is submitted, however, that no considerations of public policy require that a litigant be awarded damages for something never sought, pleaded, or proved throughout a seven year period of litigation. To the contrary, public policy requires that there be an end to litigation. The Court of Appeals below was clearly correct when it found (Petition, App., p. 11a):

> "Now counsel for Aro as appellant in No. 5993 seeks not only to revive that abandoned defense

but also by some subtle legal alchemy to transform it into a positive claim for triple damages and counsel fees under the antitrust laws. We are not aware of any basis or authority for such a metamorphosis".

The Court of Appeals Ruling on Misuse and Antitrust Was in Full Accord With the Mandate of This Court

When this case earlier came to this Court, Aro made the same misuse and antitrust allegations which it now makes; (see Aro's question 4, Petition, No. 582, Oct. T., 1959, p. 3). Aro's brief and oral argument in this Court were devoted in large part to such allegations; and the "Conclusion" of Aro's brief sought instructions for the very relief which Aro seeks in its present Petition; see Brief For Petitioners, No. 21, Oct. T. 1960, p. 75:

> "In view of the above discussion and authorities, it is respectfully requested that this Court reverse the decision of the court below *with instructions to declare* that the patent in suit has been misused, * * * that respondent has *violated the antitrust laws,* and that petitioners be *awarded three times the damages* proved for such violations, costs and reasonable counsel fees." (Emphasis added)

This court refused to give the requested instructions.

In its majority opinion, the Court held that patent misuse "is not an issue in this case" (365 U.S. at 344, f.n. 10).

Mr. Justice Black, in concurring, termed Aro's arguments of misuse "confusing and beside the point" (365 U.S. at 347).

Mr. Justice Brennan ruled against Aro on the ground that 35 U.S.C. 271(d), [Petition, App. p. 1b] nullified

Aro's arguments; and he stated (365 U.S. at 365, f.n. 9):

> "The legislative history makes it clear that paragraph (d) complements (c) with the view to *avoid the application of the patent misuse doctrine to conduct such as that of the patent owner in the present case.*" (Emphasis added.)

Mr. Justice Harlan (joined by Mr. Justices Stewart and Frankfurter) stated that *Mercoid,* 320 U.S. 661, recognized a misuse under "special circumstances"; but that, as a factual matter, "Those circumstances are not present in this case" (365 U.S. at 378).

It is clear, therefore, that the Court of Appeals' rejection of Aro's misuse and antitrust allegations was in no way inconsistent with this Court's mandate.

CONCLUSION

For the foregoing reasons, it is submitted that the Court of Appeals fully heeded this Court's mandate in awarding recovery for unlicensed infringing Ford replacements, and in rejecting Aro's request for treble damages. The Petition should, accordingly be *denied.*

Respectfully submitted,

ELLIOTT I. POLLOCK
Counsel for Respondent
904 Ring Building
Washington, D. C.

PAUL V. POWER
82 Devonshire Street
Boston, Massachusetts
Of Counsel